

Ms. Mary Cottrell, Secretary November 8, 1999

Dept. Telecommunications and Energy

1 South Station

Boston, MA

Dear Ms. Cottrell,

We are pleased to be able to file the attached aggregation plans for the cities of Haverhill and Easthampton. Both of these plans have been reviewed and approved by the respective City Councils of the two communities. Both plans have gone through the consultation phase with DOER and reflect the comments received from DOER. We have been working closely with both DOER and DTE staff for the past 5 months to develop these documents and this process. We are now prepared to trigger the more formal phase of DTE review.

Simultaneous with this filing, we have also issued, our RFP for aggregated service. The procurement process outlined in this RFP reflects the comments and input of several energy suppliers. The one uniform comment that we received from every company was that it was not realistic to ask suppliers to hold their pricing while we conducted a state review process. The following is an outline of our planned procurement schedule which is designed to deal with this market pricing reality as well as the need for DTE approval of the fully priced contract.:

November 8 - RFP issued and Aggregation plans filed with DTE

December 7 - Bids due with indicative pricing and terms and conditions

December 15 - Selection of at least two finalists

December 31 - Negotiation of contracts with both finalist completed

January 3 - Complete contracts (with indicative prices) filed with DTE

January 18 - Final price received from both finalist, Selection of winner

January 19 - Public Hearing to approve contract and execution of contract.

This process allows the aggregation plans to be reviewed in November and December, and the contract terms and conditions to be reviewed in the first half of January. Staff consensus and recommendations can be developed on every issue except the final price. The January 19 hearing could then focus on the fairly narrow question, "Does the final pricing achieve savings for every rate class below the standard offer?". We are

specifically seeking guidance regarding the following three policy questions, which are representative of the issues we would like to discuss with DTE staff in November:

1) **Consumer Notice Clarification** MGL c 164 s 134 (a) imposes a general notice obligation on the municipal aggregator regarding the "opt out" rights of consumers who are about to be automatically enrolled. MGL c 164 s 1F (5) imposes a specific and detailed notice obligation on the supplier regarding pricing terms, generation mix etc. This specific supplier notice is the notice which triggers the 3 day right of rescission for consumers who affirmatively select a new supplier. At DOER's suggestion, we have attached our proposed section 134 (a) notice letter as an appendix to both aggregation plans. In its present form it meets the standards of section 134 (a) only. The policy question is whether or not this notice needs to be edited to reflect the more detailed notice provisions of section 1F (5)? We believe that the section 1F (5) notice is intended for a different circumstance and the details of that notice are liable to confuse the simplicity of a notice regarding "opt out" rights.

2) **Standard Offer Rights** Section 134 (a) gives consumers the right to "opt out" of the aggregation. Such consumer is then "entitled to receive standard offer service *as if he was originally enrolled therein*". The current draft of both aggregation plans entitles opting out consumers to return to standard offer service if they were receiving standard offer service prior to their automatic enrollment, and to return to default service if they were receiving default service prior to their automatic enrollment. We believe that both categories of opting out consumers are in fact entitled to return to standard offer service, even if they were receiving default service prior to automatic enrollment. The current draft of both aggregation plans reflects a conservative position that errs on the side of emphasizing the downside of participation in the aggregation. We would like to request clarification on this point.

3) **Standard Offer Projection for WMECO** In order to procure and negotiate a contract for Easthampton consumers that can be approved by the department, we need to know what projection will be used by the department for standard offer prices going forward. The WMECO RFP for standard offer service that is currently outstanding only requests standard offer prices for the year 2000. In our RFP we have used the pre-existing WMECO standard offer projection that was approved in their preliminary restructuring plan. All indications at present, are that that schedule of standard offer rates appears to err on the side of lower standard offer targets. It is critical that we receive some guidance on this question before the contract negotiation phase, which is scheduled for mid December.

We are very hopeful that the department can provide the guidance requested and accommodate this review schedule. If so, we think we are on the verge of extending deregulated competitive supply to all rate classes in Haverhill and Easthampton.

Sincerely,

John Shortsleeve

NB We expect to file the Haverhill Energy Plan regarding energy efficiency programs and renewable energy programs, in early December.

CC Mayor James Rurak, Mayor Michael Tautznik, Commissioner David O'Connor, Quincy Vale

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Haverhill Aggregation Plan

**Plan for Municipal Aggregation for
the Haverhill, Massachusetts and
Expansion Communities**

Bay State Consultants and Westwood Energy Group

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1. Overview

Haverhill has decided to develop an electric aggregation on behalf the electric consumers in the City pursuant to the new authority provided in the Massachusetts Utility Restructuring Act. This means that the City will procure a model contract for generation services and then make that model contract available to those consumers in the City who choose to participate. Before initiating such procurement, the Act requires the City to develop an aggregation plan which explains the rules of the aggregated procurement, the rights and responsibilities of those involved and includes other statutorily mandated plan elements.

Section 247 of the Restructuring Act sets forth the rules regarding any municipal aggregation. The three threshold standards outlined in the Act are as follows:

A. One municipality or a group of municipalities can be authorized by a vote of the local legislative body to develop an aggregation plan.

The Mayor was authorized by a vote of the City Council to develop an aggregation plan on July 14, 1998. The Aggregation Plan itself was approved by the City Council on .

B. The plan must be developed in consultation with DOER and be subject to review by the citizens of the community.

DOER REVIEW

DOER staff has met informally with the consultants during the months of May, June and July and reviewed various iterations of the Aggregation Plan and Energy Plan. In early August, near final drafts of these plans were submitted to DOER. The August filing triggered a formal staff review which included meetings with DOER staff on August 31, September 1 and September 10. DOER's comments are reflected in this draft of these plans.

DTE REVIEW

DTE staff has been meeting with the consultants since May to review various drafts. The final draft of the Energy Plan and (still un-priced) Aggregation Plan will be formally submitted to the DTE following City Council approval. The schedule then calls for DTE review of the completed Energy Plan, and the as yet un-priced Aggregation Plan this fall. The pricing of the generation contract will not be available until the procurement and the negotiations are completed in December. The schedule calls for formal approval of the Energy Plan this fall and staff review of the non-pricing elements of the aggregation plan this fall. The formal review of the completed aggregation plan, including its pricing components is scheduled for January and February of 2000. The fully priced aggregation plan will only be approved by the DTE if it achieves savings below the standard offer for all rate classes.

Citizen Outreach

The City has initiated an aggressive public education program that is designed to inform consumers about the aggregation. It includes a series of three City wide mailings. The first mailing in July will go to all taxpayers in the City and describe the aggregation plan in general. The second mailing in the Fall will describe the status of the aggregation at the mid-point of its development. The third mailing in January will describe the fully priced aggregation plan and focus on the opt out rights of consumers. The City has already implemented a series of seven educational seminars throughout the city for various consumer groups to describe the program, answer questions and solicit comments. The City is also seeking the support of the news outlets servicing Haverhill. The Haverhill Gazette has endorsed the plan and published the first of the three mailings and agreed to publish the first of these the plan on their editorial page and published the first of the three letters describing

the program. The City is planning a public hearing on the plan in the City Council Chamber that will be aired on the local cable channel. This public education program is described more fully in Appendix 1.

C. The plan must a) provide for universal access by all citizens; b) provide for reliable generation service; and c) provide for equitable treatment of all classes of customers.

This aggregation plan satisfies all three of these requirements.

- A. Haverhill's aggregation plan will be open to and available to all electric consumers in the City who choose to participate.
- B. Only large, creditworthy companies that can demonstrate a track record of providing reliable generation service will be eligible to bid on the generation contract (see section 2 of the RFP that is included as Appendix 2).

C) The City plans to solicit prices for each rate class and in this fashion allow the market to establish the cost associated with each rate class. The only exception to this policy is that the City intends to seek a discounted rate for low-income customers that mimic the low-income discount in the distribution rates.

A. The Act also specifies a minimum content for a municipal aggregation program. The plan must describe the following

- The organizational structure of the Program and operation of the Program
- The funding of the Program
- The manner in which rates are set and any other costs to participants
- The methods for entering and terminating agreements with other entities
- The rights and responsibilities of participants

- The process and consequences of participating in the aggregation
- Termination of the Program

2. Organizational Structure of and Operation of the Program

The Mayor, as the Chief Executive Officer of the City, acting under authority delegated by the City Council, is ultimately responsible for the program. Before discussing the organization necessary to support the Mayor, however, it is necessary to understand the role of the City in the different phases of this aggregation.

Initially the City's role is to develop this aggregation plan, procure a model contract, secure the approval of the state regarding that aggregation plan and model contract, and make that model contract available to those consumers in the City who choose to participate.

The City has, by contract, delegated to private consultants the work of drafting these plans, implementing the public education program, consulting with the state agencies, securing the approval of those agencies and procuring this contract. The lead consultant meets with the Mayor weekly to review progress and receive direction as needed.

The Mayor, in turn, has formed a steering committee of interested consumers in Haverhill to provide policy advice to the Mayor. This steering committee has been deeply involved in the review of the aggregation plan, its related energy plan, and the RFP, the three documents that establish the rules and policies of this aggregation program.

In March of 2000, generation service under this new contract is scheduled to begin. At that point the City's role will be limited to monitoring contract performance, providing assistance to consumers who wish to initiate or terminate their participation in the aggregation, answering consumer questions about the aggregation and procuring a new contract at the end of the initial term of the first contract.

The City plans to continue with the privatized approach to this aggregation during the implementation phase. The City plans to exercise the option in the existing contract with the consultants to have the consultants' staff and administer a telephone response service. The function of this telephone response service will be to answer the questions of consumers regarding the aggregation. Questions regarding the contract itself will normally be referred back to the customer service

department of the energy supplier. This staff would deal with questions dealing with the aggregation plan itself, how to initiate or terminate participation for example. The consultants will maintain a record of the types of questions that consumers have, as well as any complaints regarding the performance of the contractor, and meet regularly with the Mayor to keep him informed regarding such issues.

3. Funding of the Program

The program is designed to be entirely self-funded. Assuming that the City continues with the current privatized approach to this aggregation, all of the costs will be associated with third party consulting contracts. The net cost to the City for developing the aggregation, procuring the model contract, implementing the public education program and administering the aggregation each year will be quantified and included in this plan as soon as those net cost are known with certainty and at any rate before this plan is implemented. The City plans to seek reimbursement for these expenditures from the successful bidder. The initial costs of the City will be reimbursed at the inception of the program, and the energy supplier will pay the ongoing costs monthly. The rates that are bid by the energy supplier will take these costs into consideration.

Consumers who opt out of the program will have no exposure to the cost of the program.

4. Rate Setting and Other Costs to Participants

The rates for "full requirements" generation service as well as energy efficiency or other services will be set out in the contract that is procured from the winning supplier and the letter notice regarding opt out rights that is mailed prior to the implementation of the aggregation (see form letter which attached as Appendix 3). As new participants are added to the aggregation, they will be serviced at the predetermined contract rates. Contract rates will be determined through a negotiation process at the inception of the program and when it is time to renew the contract. The Mayor will make all final contract decisions for the city, with the advice and consultation of his staff, consultants, and advisors.

The City plans to procure prices for each rate class that is currently used by Mass Electric to provide distribution service to Haverhill. In addition the City plans to procure prices for a newly defined municipal rate class. Energy suppliers will also be asked to bid a price premium for "green power", which would be available

at the election of any consumer in any rate class. Consumers who do not elect to purchase "green power" will not bear any cost associated with this "green power" option

Premature termination of the contract by a participant, for reasons other than those contemplated by the contract, could result in a termination penalty. All such costs to program participants will be detailed in the contract that is procured and the form notice letter referred to in the previous paragraph and attached in Appendix 3. The City's program does not contemplate any costs to program participants other than those specified in the supplier contract.

Note: Green power for the sake of this RFP means renewable energy as that term is defined in the Restructuring Act. Bidders must meet the labeling regulations of the state that give the consumer that chooses this option, the assurance that the renewable energy paid for by that consumer is not double counted or credited by that bidder as renewable energy that is sold to any other consumer.

5. Methods for Entering and Terminating Agreements

Procurement Rules

The Restructuring Act establishes certain procurement rules for cities and towns for three categories of contracts:

1) Energy Aggregation Contracts for energy or energy related services;

Examples of the types of contracts included within this category are the contracts for consulting support to develop and or administer aggregation plans and their related energy plans, or contracts to supply energy and other services to the consumers within a municipal aggregation.

2) Energy Contracts for energy or energy related services;

Examples of this category of contracts is a group purchasing collaborative, outside of the context of a municipal aggregation. When Haverhill procured a gas contract for 15 municipal accounts last year, the City used this process.

Many of the Cities and towns that signed the MMA electric contract, energy efficiency contract, and consulting contract used the process for this category

of contract.

3)Contracts for energy related services.

Examples of this category of contract are the contracts to hire delivery vendors to actually implement energy efficiency measures, or renewable energy measures.

The first type of contract listed above is exempted outright from the requirements of Chapter 30B of the General Laws. The second category of contract is exempted from the requirements of 30B, but the community must notify several state offices of the process used in the procurement after the fact. The third category of contract, for stand alone energy related services has a special set of relaxed 30B procurement rules.

The Restructuring Act does not change the procurement rules regarding Design Contracts (GL c 7), Capital Construction Contracts (GL c 149), or Energy Management Contracts (GL c 25A).

Planned Procurement Procedures

The major contract for the city's program will be the generation supply contract. This could be a three or four year contract with a value in excess, of \$30,000,000. The plan for that procurement is as follows:

- Issue an RFP in October 1999
- Select two finalists for negotiation in November and December
- Execute contract with the successful company contingent only on DTE approval
- Secure approval of DTE of fully priced aggregation in February
- Initiate service under the contract in March of 2000

The RFP for generation service will also request that the successful bidder provide certain energy-related services to the City. These services will include an inventory of and identification of energy efficiency measures that should be considered in the publicly owned buildings in Haverhill. This inventory will also identify energy efficiency measures that should be considered by private party applicants that support the City's development objectives. The service procured in this RFP will not include the actual implementation of energy efficiency measures (and consequently will not trigger the requirement of GL c 7 , c 25A or C149.) The successful bidder will be eligible to provide implementation work to the City or to private parties, however such implementation work would be procured following the procurement rules governing such contract awards. This is a category 1 contract that is exempted from the requirements of C 30B.

The City's consulting contract with the current consulting team (also a category one contract in the list above) was nevertheless procured using the competitive procurement rules of the city's purchasing department. Any similar consulting contracts, if needed in the future, would be procured in a similar fashion.

One of the very first implementation steps in the related Energy Plan will be to procure the contracts with delivery vendors who will be responsible for implementing various categories of energy efficiency measures and renewable energy measures. This procurement will with provisions of GL c 7, c 25A and c 149.

Termination of contracts would be in accordance with the contracts that are negotiated.

6. Rights and Responsibilities of Participants

A) Responsibility of the City

The City is responsible for developing this plan, procuring the model contract, securing state approval of the fully priced aggregation plan, informing the consumers in Haverhill about that plan and their rights to opt out of that plan, and then making that contract available to consumers in Haverhill who choose to participate.

Once the aggregation is operational, in March of next year, the City will be responsible for monitoring contract performance, answering consumers questions about the aggregation plan, and procuring a replacement contract after the initial generation contract has run its full term.

B) Responsibility of the Selected Energy Supplier

The Act requires "all distribution companies, generation companies . . . and suppliers" to "notify their customers in writing of the terms of their agreement to provide service at the time service is initiated". Such terms must include notice of a formal procedure for customer complaints and dispute resolution.

In addition generation companies and suppliers are required, "before initiating service" to disclose the following information:

- Rate to be charged

- Whether generation company works under collective bargaining agreements
- Whether generation company operates with employees hired as replacements during labor disputes
- Any charges fees or penalties for terminating service prior to end of the term
- Fuel mix and emissions of the generation sources
- Due date of bills and consequences of late payment (including use of credit agencies)
- Deposit requirements and whether interest paid on deposits
- Consumer rights where bills are estimated
- Consumer rights of third party billing
- Consumer rights to deferred payment arrangements
- Low income rates
- Limits if any on warranty and damages
- Provisions for default service
- Toll free telephone number for service complaints
- Any other fees charges or penalties
- Methods of notice regarding any changes to these terms

The notice requirement outlined above is imposed on the generation company (G.L.c 164 s 1F (5)). However, there is a separate general notice requirement imposed on both the distribution company and the generation company to inform the consumers, in writing at the time service is initiated, of the terms of the contract (G.L. c 164 s 1F (2)). We are participating in the discussions with the DTE about the use of a billing insert, by Mass Electric, to accomplish both of the distribution company's and the generation company's required notifications

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All Consumers in Haverhill at the inception of the contract will be automatically enrolled pursuant to an "opt out" provision that is described in section (D) (1) below.

In the case where a consumer must affirmatively choose a new generation service provider (i.e. in Haverhill for new consumers that move in after the aggregation is operational) the generation company can document that affirmative choice in either of three ways:

1. letter of authorization from the customer
2. third party verification which includes verifying data such as customer's date of birth and social security number
3. or completion of toll free call by the customer to an independent third party

Any consumer that affirmatively opts into the Haverhill aggregation in this fashion (as opposed to those who are automatically enrolled at the inception of the plan) has three days to rescind the contract, following receipt of the written notice of terms outlined above.

The Act also requires the generation company to prepare an information booklet describing these customer rights and to mail this booklet to their customers annually.

C) Responsibility of Mass Electric

Mass Electric will continue to be responsible for the distribution system in Haverhill, standard offer service through 2004 for those consumers who choose to pay standard offer rates, and default service for any and all circumstances where any consumer Haverhill needs such service for any reason.

It is important for consumers to understand that reliability of continued electric service continues to be the responsibility of Mass Electric. Consumers who choose to purchase generation service from the winner of the Haverhill aggregated procurement will enter into a contract with that company that impacts only the cost of that service. Storm damage, delivery of electricity, and even generation service if for any reason the Haverhill contractor does not provide it, continues to be the responsibility of Mass Electric.

The Act establishes two billing options: a) a single bill from the distribution company that reflects the charges for distribution service by Mass Electric and generation service by the generation company, or b) a two bill format in which the distribution company and the generation company submits separate bills for their respective services. We are assuming that the consumers in Haverhill would prefer the single bill option. We intend to implement the single bill approach as a required term in our model contract.

Mass Electric is also responsible for guaranteeing payment to the generation supplier for all power sold to low income customers at discounted rates.

D) Consumers Participating in the Aggregation

The rights and responsibilities of consumers that choose to participate is first and foremost to pay Mass Electric in their one monthly bill for both the distribution service they receive from Mass Electric and the generation service they receive from the winner of the Haverhill procurement. The aggregation is open and available to all consumers in the City. However the method of initiating that participation and terminating that participation depends on the timing of that participation or termination, and the rights of that consumer to standard offer

service that were in place before that consumer elected to join the aggregation. For the purposes of the aggregation, consumers will fall into one of the following five categories:

1. Consumers residing or working in Haverhill at the inception of the plan
1. Consumers who move into Haverhill after the Plan is operational
2. Consumers who Move out of Haverhill after the inception of the plan
3. Consumers who move within Haverhill after the inception of the plan
4. Consumers eligible for Low Income Distribution Rates

1) Consumers residing or working in Haverhill at the inception of the Plan

All Electric Consumers in Haverhill at the inception of the program will be automatically enrolled in the City's Aggregation Program on the first meter reading date following DTE approval of the fully priced program. All such consumers that are automatically enrolled in this fashion, *and that were receiving standard offer service prior to their enrollment*, have the statutory right for 180 days following such automatic enrollment to "opt out" of the aggregation and return to standard offer service without penalty.

Electric Consumers residing in Haverhill at the inception of the program *that were receiving default service prior to their automatic enrollment* will have the same right to opt out and return to default service for 180 days following their automatic enrollment in the aggregation.

2) Consumers Moving into Haverhill after the inception of the aggregation.

Consumers who move into Haverhill after the inception of the aggregation will be entitled (prior to their enrollment in the aggregation) to either default service or standard offer service. If such consumer's prior address was in Mass Electric's service territory and such consumer was receiving standard offer service at that prior address, then he or she will be entitled under DTE regulations to standard offer service at the new Haverhill address. If the consumer is moving into Mass Electric territory for the first time, or was receiving default service at the prior address, such consumer will be entitled to default service at the new Haverhill address. These rights to standard offer service or default service have nothing to do with the Haverhill aggregation. These rules are established by DTE regulation.

Standard Offer Rates are for generation service that is provided by Mass Electric for a transition period (through 2004) to consumers who choose not to purchase generation service from any competitive supplier. These rates started at 2.8 cents per kWh last year, have already escalated to 3.7 cents per kWh and are scheduled to be 5.1 cents per kWh in 2004.

Default Service Rates are for generation service that is provided by Mass Electric to any consumer who is not receiving generation service from a competitive supplier, or standard offer service. All consumers who do not choose a competitive supplier by the end of 2004 will be receiving default service. The Default Service rate is set by the DTE and is currently identical to the Standard Offer Rate. The plan, however, is that the default rate will be a market rate that moves with market prices. It is unclear at present whether the DTE will keep the default rate at the standard offer rate through 2004, or allow it to be set by market forces sooner than 2004.

Consumers who move into Haverhill after the start of the Aggregation contract will not be "automatically enrolled" in the aggregation. They will, however, have the right to affirmatively "opt in" by using a simple form that will be made available by the City. Consumers who opt in will have the same three-day right of rescission following the receipt from the energy supplier of the required disclosure of terms outlined above.

3) Consumers who move out of Haverhill

Consumers who move out of the City will be given the right, without penalty, to terminate the electric contract with Haverhill's generation supplier. The right of such consumer to standard offer service as opposed to default service at their new address would depend on whether they were entitled to the standard offer service in Haverhill (i.e. within the 180 opt out window) and the general regulations of the state DTE dealing with standard offer rights for those who move)

4) Consumers who move within Haverhill

We propose to treat a move within the City as an affirmative decision to opt out, to the extent it occurs within the 180-day window for a consumer who was automatically enrolled at the inception of the program. This has the effect of returning that consumer to standard offer service if he or she was entitled to standard offer service at the time of automatic enrollment. Such consumer could then "opt in" just like any other newly entering consumer and initiate a contract with the Haverhill generation service supplier subject to the three day right

recission following receipt of the written notice of the contract terms by that supplier.

Participating Consumers who move within the City in circumstances in which the 180 opt out window is not applicable (for example after the 180 days) would be free to terminate their contract without penalty. Such consumer would then be entitled to default service from Mass Electric, generation service from the Haverhill aggregation if they choose to "opt in", or any generation service from any other competitive supplier.

5) Low Income Consumers

The Act creates a special rule for consumers that are eligible for low-income discount distribution rates. Such consumers are eligible to return to standard offer service at any time including from default service.

6) Exposure to Default Service

The status of the default rate is uncertain. If the DTE follows the recommendation of DOER and sets the default rate at the standard offer rate for the duration of the transition period, this will remove this uncertainty and make it easier to develop municipal aggregations. Such a rule would eliminate any confusion on the part of consumers who are concerned about their exposure to a market based default rate. We are very hopeful that the DTE will move expeditiously to remove this uncertainty regarding the default rate this fall.

In the event that the state is unable for any reason to provide clarification regarding the default rate, the City will negotiate a contractual protection for Haverhill consumers in the generation contract. This would entail a contract term for the residential class that coincides with the length of the transition period. Consumers who stay in the Haverhill aggregation would then know that they are entitled to a rate for generation service through the transition period that is below the scheduled standard offer rate.

In addition, the City plans to include a provision in the generation contract that requires the energy supplier to offer generation service to consumers enrolled in the Haverhill aggregation, who move out of the City to a new address within the Mass Electric service territory. In order for such a consumer to take advantage of this offer at their new address, such consumer would need to follow the procedures outlined in the Restructuring Act and DTE regulations for affirmatively selecting a competitive supplier of generation service at their new address.

The combination of these two contractual provisions, a contract term in Haverhill that coincides with the transition period, and an offer to provide generation

service at the new address would eliminate any exposure to default service that might otherwise be triggered by joining the Haverhill aggregation.

The City wide mailing that is planned for February will explain the exposure to default service. At that point we hope to have clarification from the state regarding the default rate and clarification from our negotiation regarding the terms outlined above. This form letter is attached as appendix 3

E) Service Start up Charges

The Act gives all residential consumers the right to initiate or terminate standard offer service, or default service by Mass Electric without charge by Mass Electric, as long as that initiation or termination of service coincides with a monthly meter reading. We do not expect any service start up charges by the generation company.

7. Consequences of Aggregation

Consumers who decide to participate in the aggregation will benefit from the savings associated with the lower priced generation service (as compared to the standard offer).

The City believes that it will be necessary to procure a long-term contract in order to achieve the best savings off of the standard offer for the residential class. As indicated above we plan to have at least one option of a contract term of 4 years and 10 months to coincide with the end of the statutory transition period. The risk inherent in such a contract is that other lower priced options may materialize as the market matures. This opportunity risk will be explained through the public education program.

The basic premise of a long-term contract is that both parties are committed for the term of the contract. The City also plans to solicit pricing for 2 year, 3 year, and 4 year terms for each rate class. The plan is make final decisions regarding the term of the contract for each rate class during the negotiation process when the pricing is known

8. Termination of the Program

The aggregation program will remain in operation until terminated by the Mayor and the City Council. The procedure for termination will be the same as the

procedure for initiation, recommendation by the Mayor followed by the vote of the City Council. Any such termination shall have no effect on any aggregation supply contract that is outstanding at the time of the termination of the aggregation

9. Energy Plan

The Energy Plan, which is attached as Appendix 4 to this aggregation plan, is an integral part of the City's overall plan. The City intends to procure energy efficiency services to portions of the commercial sector as part of its aggregated RFP.

10. Other Communities

Haverhill is currently engaged in a discussion with selected other communities regarding their potential participation in the Haverhill RFP in September. The plan under discussion would include a description of the load of each community in a series of separate community specific appendices. The entire load would be presented to the market in one RFP in order to maximize supplier interest. However the load of each community would be separately priced. Each community would have its own pricing, its own model contract, and its own aggregation plan. The expectation is however, that the aggregation plans of the various communities would be very similar. Once the Haverhill aggregation is approved, we would propose to batch the review and approval of other plans. We could highlight the differences between the Haverhill plan and other plans in order to make the state consultation and review easier.

Appendix 1 - Public Education Program

The public education program is designed with two objectives in mind, outreach and feedback.

The Outreach objective is to educate consumers regarding deregulation generally and regarding the pros and cons of the aggregation specifically. The feedback objective is to secure comments during the development of the aggregation program so that policy decisions regarding such matters as the length of the contract and rate classifications truly reflect that consumer feedback.

Outreach

The City is planning a series of press releases, mailings, seminars, media interviews and public hearings. Through this combination of communication events this program is designed to produce in excess of 20 communication events over the 40-week duration of the program.

Press Releases

The City is planning a series of seven press releases that are tied to newsworthy events in the development of the program. The preliminary schedule for these press releases is as follows:

May - Announcing the program

July Announcing the filing
of the draft aggregation
and energy plans

Aug - City Council approval of plans

Sept - Announcing the release of the RFP

Nov - Selection of finalists for negotiation

Jan - Conditional selection of winning company

Feb - DTE public hearing and approval of plan

Mailings

A series of three citywide mailings is planned. The schedule and content of these mailings is as follows:

Mailing 1 Early July: This mailing will provide a basic description of deregulation from the consumer's perspective, the purpose of the aggregation, the "opt out" aspect of the plan, and the schedule for the overall project.

Mailing 2 October: This mailing will describe the status of the aggregation at the mid- point in its development and the remaining schedule for the project.

Mailing 3 February: This mailing will announce the implementation of the plan, explain the procedure for "opting out" in more detail, describe pricing

comparisons with other supply options available and include other sources of information regarding these issues.

Seminars

The City has planned a series of seven meetings/ seminars with interested consumers. Three of these were targeted at business consumers, two at residential consumers and two at a blended audience of business and residential consumers. These seminars will be conducted in June and July during the development stage of the aggregation.

Public Hearings

The Mayor has committed to secure the City Council approval of the aggregation plan and the energy plan. The City Council hearings are both open to the public and televised on the local cable channel. Consequently the City Council Hearing preceding City Council action on these plans is an excellent opportunity for public education. (It is possible that the two plans will be the subject of two separate City Council hearings.) We are hopeful that we can persuade the DTE hold their public hearing in February in Haverhill in the City Council Chamber so that this hearing can be televised as well.

Interviews

Following each of the 7 press releases, 3 mailings, and 2 public hearings, the mayor or his designee will attempt to secure an interview with reporters from the local newspapers. Assuming that the press releases are printed and five additional interviews are secured, this combination of press releases, mailings, public hearings and interviews will generate 24 communication events over the 40-week schedule of the project.

Feedback

The three documents that will set the policy this energy initiative is the aggregation plan, the companion energy plan and the RFP. Critical policies will be established in the final draft of these three documents. The following list is an example of the policy questions that the City plans to direct to consumers:

1. Length of electric supply contract?
2. Should energy efficiency and renewable energy services be procured along with generation services?
3. How many rate classes should be established?
4. Should time of use rates be procured?

5. Is it appropriate to target downtown redevelopment for energy plan spending?

The draft of the aggregation plan, energy plan and RFP will be featured at the consumer seminars that are conducted in June and July. Policy questions will be featured and highlighted in the text of these documents. The objective is to have a set of plans ready for submission to the state in August that truly reflects the feedback from these consumer "focus group" meetings.

Appendix 2 -RFP Selection Criteria

2. Energy Services provider's Corporate Profile

The following specific items are of interest to the HEA (Haverhill Energy Alternative) Communities concerning your company.

2.1 Company Background

Provide a brief overview of your company including technical and marketplace direction. Describe the organization and business strategy of your company. Please include an organizational chart. We are interested in a discussion of the impact of deregulation over the next one to three years on your service offerings and pricing. Also, please enclose any marketing material your firm has that would be related to the requested services in this proposal.

2.2 Financial Information

Provide financial information on your company (e.g., annual report, 10-K).

)

2.3 Reference Accounts

List three accounts similar in size or complexity to HEA operation and include:

- Company or Community name, address, contact person and telephone number
- Products or services and length of service

- What additional value did you provide?

2.4 ESP Requirements

The ESP shall be responsible for providing firm, full-requirements services to meet the needs of the HEA and to deliver the associated capacity and energy to the delivery point on the local electric distribution company's transmission / distribution system, as well as provide any and all necessary installed and operating reserves required to serve each of the HEA accounts.

The chosen ESP must meet the registration requirements established by law, be a member of ISO NEW ENGLAND, and have an Own-Load Dispatch established within the ISO NEW ENGLAND billing system. Or the ESP may have an agreement in place with an ISO NEW ENGLAND member whereby the ISO NEW ENGLAND member agrees to include the load to be served by the ESP in its own Own-Load Dispatch.

ESP's providing generation service to HEA from outside ISO NEW ENGLAND will be responsible for any losses incurred on other transmission systems, which may also include facilities linking generation to ISO NEW ENGLAND transmission facilities.

The ESP's must also meet all of the requirements of each of LDC that will distribute the power to the HEA communities.

Appendix 3 - "Opt Out" Letters

Form Letter re "OPT OUT" rights

Dear Haverhill Electric Consumer:

I am pleased to inform you that we have reached an agreement with ABC corp to provide electric generation service to interested electric consumers in the City. The following table compares the rates that we have negotiated in this model contract to the rates charged by Mass Electric for "standard offer" generation service.

Rate comparison table for R-1 rate Class

Year MECo Standard Offer Rate New City Procured rate

2000

2001

2002

2003

2004

Service at these new rates under this model contract will begin on the first meter reading following _____ and will continue until _____. At the end of this contract term you will have the opportunity to renew this contract on the following terms

Additional Charges

We will provide in this section an explanation of start up charges, any special meter reading charges, or termination charges, if any are included in the final contract that is negotiated.

Schedule

Generation service under the City procured contract at the contract listed above is scheduled to begin on March 1, 2000.

How to enroll

If you would like to participate you do not have to take any action; you will be automatically enrolled on the first meter reading date following _____.

You will continue to receive and pay only one bill from Mass Electric each month. Mass Electric will be responsible for forwarding to ABC Corp, the portion of your payment that is related to generation service. In the first bill following your automatic enrollment and subsequent bills thereafter, the price per kWh for generation service will be at the negotiated rate listed above.

How to opt out

If you would prefer not to receive generation service at these negotiated rates, you can "opt out" of the City procured plan. To "opt out", simply fill out the attached form and return it to the address indicated on the top of form. If you complete and return this "opt out" form by _____, you will not be "automatically enrolled" and you will continue to receive generation service from your current provider of this service.

You may also "opt out" after you are automatically enrolled. To "opt out" in this fashion simply complete and return the attached form at any time within 180 days following your automatic enrollment.

Consequences of Participation in the Aggregation

The general rule is that consumers who discontinue their standard offer service are not entitled to return to standard offer service. Instead consumers who discontinue their standard offer service have two options for generation service in the future; a) default service at default rates from the distribution utility, or b) generation service purchased from any competitive supplier. However, there is a special rule for consumers who participate in a municipal aggregation and then "opt out" within the 180 window described above. Such consumers can return to standard offer service from the utility at standard offer rates as long as they were receiving standard offer service at the time they were automatically enrolled in the aggregation.

The first concern is that other lower priced options may become available before the contract has run its course.

The second concern is increased exposure to default service under certain circumstances i.e. you don't opt out and then you move. The rates for default service are uncertain. To remove this concern we have negotiated a special contractual right for those consumers that move. Any consumer that moves after participating in the Haverhill aggregation, and loses their right to standard offer service at their new address as a result of their participation in this aggregation, will have the right to affirmatively select generation service from the Haverhill energy supplier at their new address, at the same "below standard offer rate" at their new address.

If you opt out within the 180-day window following automatic enrollment, and if you were receiving standard offer generation service prior to your automatic enrollment, you may return to standard offer generation service without penalty. If you were receiving default service prior to your automatic enrollment and you decide to "opt out" you may return to

default service.

Sincerely'

James Rurak

Mayor

"OPT OUT" FORM

Please fill out the form, including your Mass Electric account number (which is a 12 digit number that appears in the upper left hand side of your most recent Mass Electric bill) and mail the completed form to the following address:

Haverhill Aggregation Plan

PO Box xxx,

Haverhill, MA 01830.

NAME _____

ADDRESS _____

Massachusetts Electric ACCOUNT # _____

I wish to "opt out" of the Haverhill aggregation plan. () check box

Signature_____

Easthampton Aggregation Plan

Bay State Consultants and Westwood Energy Group

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1. Overview

Easthampton has decided to develop an electric aggregation on behalf the electric consumers in the City pursuant to the new authority provided in the Massachusetts Utility Restructuring Act. This means that the City will procure a model contract for generation services and then make that model contract available to those consumers in the City who choose to participate. The City has decided to coordinate their procurement with the City of Haverhill's procurement. The advantage of this coordinated approach to Easthampton is twofold: First, because the Easthampton Aggregation Plan and RFP is based on the Haverhill documents, the lead time and resource commitment to implement this aggregated procurement is significantly reduced. Second, by presenting the combined load of the two communities to the supplier market, Easthampton is able to increase the purchasing leverage of this procurement. The electrical load of the two communities will be presented in separate appendices and be separately priced in one coordinated procurement. Easthampton will have its own aggregation plan, and its own negotiation of an Easthampton supply contract.

Before initiating such procurement, the Act requires the City to develop an aggregation plan which explains the rules of the aggregated procurement, the rights and responsibilities of those involved and includes other statutorily mandated plan elements.

Section 247 of the Restructuring Act sets forth the rules regarding any municipal aggregation. The three threshold standards outlined in the Act are as follows:

A. One municipality or a group of municipalities can be authorized by a vote of the local legislative body to develop an aggregation plan.

The Mayor was authorized by a vote of the City Council to develop an aggregation plan on September 7, 1999 and this plan was approved by a vote of the City Council on October 5, 1999.

- B. The plan must be developed in consultation with DOER and be subject to review by the citizens of the community.**

DOER CONSULTATION

The City has entered into a contract with Bay State Consultants, teamed with the Westwood Energy Group (the consultants) to help the city develop this aggregation program. The consultants have initiated the consultation process with DOER and DTE. This draft of this aggregation plan will be submitted to those agencies in October. Because it is based on the Haverhill Plan, which has already gone through this review and consultation process, we expect the DOER review to be expedited. Virtually all of the policy considerations raised in this plan, have already been reviewed by DOER and DTE staff in the Haverhill consultation process. We expect DOER consultation of this plan to be concluded in October.

DTE REVIEW

DTE staff has been meeting with the consultants since May to review various drafts of the Haverhill documents. The final draft of the (still un-priced) Easthampton Aggregation Plans will be formally submitted to the DTE following DOER approval in late October. The schedule then calls for DTE review of the completed but un-priced Aggregation Plan this fall. The pricing of the generation contract will not be available until the procurement and the negotiations are completed in December. The schedule calls for staff review of the non-pricing elements of the aggregation plan this fall. It is likely that the Haverhill and Easthampton review will be consolidated into a single DTE proceeding. The formal review of the completed aggregation plan, including its pricing components is scheduled for January and February of 2000. The fully priced aggregation plan will only be approved by the DTE if it achieves savings below the standard offer for all rate classes.

Citizen Outreach

The City will initiate an aggressive public education program that is designed to inform consumers about the aggregation. It includes two city wide mailings. The first mailing in December will be included in the Census mailing and describe the aggregation plan in general. The second mailing in the February will be included as a

bill insert in the Western Mass Electric monthly bill. This mailing will inform consumers regarding the pricing of the aggregated contract and focus on consumer opt out rights. A template for this second letter is included as appendix 3. The City is also planning a series of educational seminars, press releases and press interviews which are described more fully in appendix 1.

C. The plan must a) provide for universal access by all citizens; b) provide for reliable generation service; and c) provide for equitable treatment of all classes of customers.

This aggregation plan satisfies all three of these requirements.

- A. Easthampton's aggregation plan will be open to and available to all electric consumers in the City who choose to participate.
- B. Only large, creditworthy companies that can demonstrate a track record of providing reliable generation service will be eligible to bid on the generation contract (see section 2 of the RFP that is included as Appendix 2). Suppliers must meet the financial requirements of ISO New England.

C) The City plans to solicit prices for each rate class and in this fashion allow the market to establish the cost associated with each rate class. The only exception to this policy is that the City may negotiate a discounted rate for low-income customers that mimics the low-income discount in the distribution rates.

A. The Act also specifies a minimum content for a municipal aggregation program. The plan must describe the following

- The organizational structure of the Program and operation of the Program
- The funding of the Program
- The manner in which rates are set and any other costs to participants

- The methods for entering and terminating agreements with other entities
- The rights and responsibilities of participants
- The process and consequences of participating in the aggregation
 - Termination of the Program

2. Organizational Structure of and Operation of the Program

The Mayor, as the Chief Executive Officer of the City, acting under authority delegated by the City Council, is ultimately responsible for the program. Before discussing the organization necessary to support the Mayor, however, it is necessary to understand the role of the City in the different phases of this aggregation.

Initially the City's role is to develop this aggregation plan, procure a model contract, secure the approval of the state regarding that aggregation plan and model contract, and make that model contract available to those consumers in the City who choose to participate.

The City has, by contract, delegated to private consultants the work of drafting these plans, implementing the public education program, consulting with the state agencies, securing the approval of those agencies and procuring this contract. The lead consultant meets with the Mayor regularly to review progress and receive direction as needed.

In March of 2000, generation service under this new contract is scheduled to begin. At that point the City's role will be limited to monitoring contract performance, answering consumer questions about the aggregation and procuring a new contract upon the expiration of the first contract.

The Mayor's office plans to take responsibility for administering a telephone response service. The function of this telephone response service will be to answer the questions of consumers regarding the aggregation. Questions regarding the contract itself will normally be referred back to the customer service department of the energy supplier. This staff would deal with questions dealing with the aggregation plan itself, how to initiate or terminate participation for example. Assuming that 50% of the residential consumers called the Mayor's office and spoke on the phone with a member of the Mayor's staff about the rules

of the aggregation for 10 minutes, this volume of calling could be handled by one administrative person using 25 % of the time of that administrative staff person

3. Funding of the Program

The program is designed to be entirely self-funded. The City has not incurred any up front development costs in the development of this program. The consulting support to develop this plan, manage this procurement, and secure the state approvals of this aggregation will be paid for out of savings below the standard offer that are achieved, if and when those savings are realized. The consulting contract calls for a payment of 15% of the savings achieved to be paid to the consultants directly from the energy service provider. The city expects its annual cost to administer the aggregation to be \$15,000 per year. This amount, also will be paid to the city by the energy service provider.

Consumers who "opt out" of the program will have no exposure to the cost of the program.

4. Rate Setting and Other Costs to Participants

The rates for "full requirements" generation service will be set out in the contract that is procured from the winning supplier and the letter notice regarding opt out rights that is mailed prior to the implementation of the aggregation (see form letter which is attached as Appendix 3). As new participants are added to the aggregation, they will be serviced at the predetermined contract rates. Contract rates will be determined through a negotiation process at the inception of the program and when it is time to renew the contract. The Mayor will make all final contract decisions for the city, with the advice and consultation of his staff, consultants, and advisors.

The City plans to procure prices for each rate class that is currently used by Western Mass Electric to provide distribution service to Easthampton. In addition the City plans to procure prices for a newly defined municipal rate class. Energy suppliers will also be asked to bid a price premium for "green power", which would be available at the election of any consumer in any rate class. Consumers who do not elect to purchase "green power" will not bear any cost associated with this "green power" option.

Premature termination of the contract by a participant, for reasons other than those contemplated by the contract, could result in a termination penalty. All such

costs to program participants will be detailed in the contract that is procured and the form notice letter referred to in paragraph one above and attached in Appendix 3. The City's program does not contemplate any costs to program participants other than those specified in the supplier contract.

5. Methods for Entering and Terminating Agreements

Procurement Rules

The Restructuring Act establishes procurement rules for cities and towns for three categories of contracts:

1) Energy Aggregation Contracts for energy or energy related services;

Examples of the types of contracts included within this category are the contracts for consulting support to develop and or administer aggregation plans and their related energy plans, or contracts to supply energy and other services to the consumers within a municipal aggregation.

2) Energy Contracts for energy or energy related services;

Examples of this category of contracts is a group purchasing collaborative, outside of the context of a municipal aggregation. Most of the Cities and towns that signed the MMA electric contract, energy efficiency contract, and consulting contract used the process provided for this category of contracts.

3) Contracts for energy related services.

Examples of this category of contract are the contracts to hire delivery vendors to actually implement energy efficiency measures, or renewable energy measures.

The first type of contract listed above is exempted outright from the requirements of Chapter 30B of the General Laws. The second category of contract is exempted from the requirements of 30B, but the community must notify several state offices of the process used in the procurement after the fact. The third category of contract, for stand-alone energy related services, has a special set of relaxed 30B procurement rules.

The Restructuring Act does not change the procurement rules regarding Design Contracts (GL c 7), Capital Construction Contracts (GL c 149), or Energy Management Contracts (GL c 25A).

Planned Procurement Procedures

The City plans to enter into two contracts in the near term,. The first contract is the contract with the consulting team to develop this aggregation. The second contract is the contract with the energy supplier to provide generation service to the consumers served by the Easthampton Aggregation. Both of these contracts are "energy aggregation contracts for energy or related energy services" and are consequently exempt from the requirements of Chapter 30B.

The City of Easthampton was invited by the Mayor of Haverhill to participate in Haverhill's procurement. The City of Haverhill used a competitive process to select the Haverhill consulting team and the terms negotiated by Haverhill were at or below the compensation routinely paid in this market for this type of service. It was neither necessary nor practical for Easthampton to repeat the competitive procurement that was used by Haverhill to select the Haverhill consulting team.

The major contract for the city's program will be the generation supply contract. The value of this contract could be in excess of \$12,000,000. The plan for this procurement is as follows:

- Issue an RFP in October 1999
- Select two finalists for negotiation in November and December
- Execute contract with the successful company contingent only on DTE approval
- Secure approval of DTE of fully priced aggregation in February
- Initiate service under the contract in March of 2000

All contracts entered into by the City of Easthampton will comply with the procurement rules applicable to City contracts.

Termination of contracts would be in accordance with the contracts that are negotiated.

6. Rights and Responsibilities of Participants

A) Responsibility of the City

The City is responsible for developing this plan, procuring the model contract, securing state approval of the fully priced aggregation plan, informing the consumers in Easthampton about that plan and their rights to opt out of that plan, and then making that contract available to consumers in Easthampton who choose to participate.

Once the aggregation is operational, in March of next year, the City will be responsible for monitoring contract performance, answering consumers questions about the aggregation plan, and procuring a replacement contract after the initial generation contract has run its full term.

B) Responsibility of the Selected Energy Supplier

The Act requires "all distribution companies, generation companies . . . and suppliers" to "notify their customers in writing of the terms of their agreement to provide service at the time service is initiated". Such terms must include notice of a formal procedure for customer complaints and dispute resolution.

In addition generation companies and suppliers are required, "before initiating service" to disclose the following information:

- Rate to be charged
- Whether generation company works under collective bargaining agreements
- Whether generation company operates with employees hired as replacements during labor disputes
- Any charges fees or penalties for terminating service prior to end of the term
- Fuel mix and emissions of the generation sources
- Due date of bills and consequences of late payment (including use of credit agencies)
- Deposit requirements and whether interest paid on deposits
- Consumer rights where bills are estimated
- Consumer rights of third party billing
- Consumer rights to deferred payment arrangements
- Low income rates
- Limits if any on warranty and damages
- Provisions for default service
- Toll free telephone number for service complaints
- Any other fees charges or penalties
- Methods of notice regarding any changes to these terms

The notice requirement outlined above is imposed on the generation company (G.L.c 164 s 1F (5)). However, there is a separate general notice requirement

imposed on both the distribution company and the generation company to inform the consumers, in writing at the time service is initiated, of the terms of the contract (G.L. c 164 s 1F (2)). We are participating in the discussions with the DTE about the use of a billing insert, by Western Mass Electric, to accomplish both of the distribution company's and the generation company's required notifications

.

All Consumers in Easthampton at the inception of the contract will be automatically enrolled pursuant to an "opt out" provision that is described in section (D) (1) below.

In the case where a consumer must affirmatively choose a new generation service provider (i.e. in Easthampton for new consumers that move in after the aggregation is operational) the generation company can document that affirmative choice in either of three ways:

1. letter of authorization from the customer
2. third party verification which includes verifying data such as customer's date of birth and social security number
3. or completion of toll free call by the customer to an independent third party

Any consumer that affirmatively opts into the Easthampton aggregation in this fashion (as opposed to those who are automatically enrolled at the inception of the plan) has three days to rescind the contract, following receipt of the written notice of terms outlined above.

The Act also requires the generation company to prepare an information booklet describing these customer rights and to mail this booklet to their customers annually.

C) Responsibility of Western Mass Electric

Western Mass Electric will continue to be responsible for the distribution system in Easthampton, standard offer service through 2004 for those consumers who choose to pay standard offer rates, and default service for any and all circumstances where any consumer in Easthampton needs such service for any reason.

It is important for consumers to understand that reliability of continued electric service continues to be the responsibility of Western Mass Electric. Consumers who choose to purchase generation service from the winner of the Easthampton

aggregated procurement will enter into a contract with that company that impacts only the cost of that service. Storm damage, delivery of electricity, and even generation service if for any reason the Easthampton contractor does not provide it, continues to be the responsibility of Western Mass Electric.

The Act establishes two billing options. The first option is a single bill from the distribution company that reflects the charges for distribution service by Western Mass Electric and generation service by the generation company. The second option is a two bill format in which the distribution company and the generation company submit separate bills for their respective services. We are assuming that the consumers in Easthampton would prefer the single bill option. We intend to implement the single bill approach as a required term in our model contract. This means Western Mass Electric will continue to provide all billing services.

Western Mass Electric is also responsible for guaranteeing payment to the generation supplier for all power sold to low income customers at discounted rates.

D) Consumers Participating in the Aggregation

The rights and responsibilities of consumers that choose to participate is first and foremost to pay Western Mass Electric in their one monthly bill for both the distribution service they receive from Western Mass Electric and the generation service they receive from the winner of the Easthampton procurement. The aggregation is open and available to all consumers in the City. However the method of initiating that participation and terminating that participation depends on the timing of that participation or termination, and the rights of that consumer to standard offer service that were in place before that consumer elected to join the aggregation. For the purposes of the aggregation, consumers will fall into one of the following five categories:

1. Consumers residing or operating in the City at the inception of the plan
1. Consumers who move into the City after the Plan is operational
2. Consumers who Move out of the City after the inception of the plan
3. Consumers who move within the City after the inception of the plan
4. Consumers eligible for Low Income Distribution Rates

1) Consumers residing or operating a business in the City at the inception of the Plan

All Electric Consumers in the City at the inception of the program will be automatically enrolled in the City's Aggregation Program on the first meter

reading date following DTE approval of the fully priced program. All such consumers that are automatically enrolled in this fashion, *and that were receiving standard offer service prior to their enrollment*, have the statutory right for 180 days following such automatic enrollment to "opt out" of the aggregation and return to standard offer service without penalty.

Electric Consumers residing in, or operating a business in the City at the inception of the program *that were receiving default service prior to their automatic enrollment* will have the same right to opt out and return to default service for 180 days following their automatic enrollment in the aggregation.

2) Consumers Moving into the City after the inception of the aggregation.

Consumers who move into the City after the inception of the aggregation will be entitled (prior to their enrollment in the aggregation) to either default service or standard offer service. These rights to standard offer service or default service have nothing to do with the aggregation. These rules are established by DTE regulation.

Standard Offer Rates are for generation service that is provided by Western Mass Electric for a transition period (through 2004) to consumers who choose not to purchase generation service from any competitive supplier.

Default Service Rates are for generation service that is provided by Western Mass Electric to any consumer who is not receiving generation service from a competitive supplier, or standard offer service. All consumers who do not choose a competitive supplier by the end of 2004 will be receiving default service. The Default Service rate is set by the DTE and is currently identical to the Standard Offer Rate. The plan, however, is that the default rate will be a market rate that moves with market prices. It is unclear at present whether the DTE will keep the default rate at the standard offer rate through 2004, or allow it to be set by market forces sooner than 2004.

Consumers who move into the City after the start of the Aggregation contract will not be "automatically enrolled" in the aggregation. They will, however, have the right to affirmatively "opt in" by using a simple form that will be made available by the City. Consumers who opt in will have the same three-day right of rescission following the receipt from the energy supplier of the required disclosure of terms outlined above.

3) Consumers who move out of the City

Consumers who move out of the City will be given the right, without penalty, to terminate the electric contract with the City's generation supplier. The right of such consumer to standard offer service as opposed to default service at their new address would depend on whether they were entitled to the standard offer service in Easthampton (i.e. within the 180 opt out window) and the general regulations of the state DTE dealing with standard offer rights for those who move)

4) Consumers who move within the City

We propose to treat a move within the City as an affirmative decision to opt out, to the extent it occurs within the 180-day window for a consumer who was automatically enrolled at the inception of the program. This has the effect of returning that consumer to standard offer service if he or she was entitled to standard offer service at the time of automatic enrollment. Such consumer could then "opt in" just like any other newly entering consumer and initiate a contract with the City's generation service supplier subject to the three day right of rescission following receipt of the written notice of the contract terms by that supplier.

Participating Consumers who move within the City in circumstances in which the 180 opt out window is not applicable (for example after the 180 days) would be free to terminate their contract without penalty. Such consumer would then be entitled to default service from Western Mass Electric, generation service from the Easthampton aggregation if they choose to "opt in", or generation service from any other competitive supplier.

5) Low Income Consumers

The Act creates a special rule for consumers that are eligible for low-income discount distribution rates. Such consumers are eligible to return to standard offer service at any time including from default service.

6) Exposure to Default Service

The status of the default rate is uncertain and is currently under review by the DTE. If the DTE follows the recommendation of DOER and sets the default rate at the standard offer rate for the duration of the transition period, this will remove this uncertainty and make it easier to develop municipal aggregations. Such a rule would eliminate any confusion on the part of consumers who are concerned about their exposure to a market based default rate. We are very hopeful that the DTE will move expeditiously to remove this uncertainty regarding the default rate in the fall of 1999.

In the event that the state is unable for any reason to provide clarification regarding the default rate, the City will negotiate a contractual protection for Easthampton consumers in the generation contract. This would entail a contract term plus renewal options that cover a period equal to, or longer than the transition period. Consumers who stay in the aggregation would then know that they are entitled to a rate for generation service that is below the standard offer for as long as the standard is available to any consumer.

In addition, the City plans to include a provision in the generation contract that requires the energy supplier to *offer* generation service, at the negotiated contract rates, to consumers enrolled in the aggregation, who move out of the City to a new address within the Western Mass Electric service territory. In order for such a consumer to take advantage of this offer at their new address, such consumer would need to follow the procedures outlined in the Restructuring Act and DTE regulations for affirmatively selecting a competitive supplier of generation service at their new address.

The combination of these two contractual provisions, a term of contract, and an offer to provide generation service at the new address, to the extent allowed by the law, would eliminate any exposure to default service that might otherwise be triggered by joining the aggregation.

The standard offer goes away at the end of 2004. At that point all consumers will have only three choices: market based default service, service from a competitive supplier, or service through a municipal aggregation.

E) Service Start up Charges

The Act gives all residential consumers the right to initiate or terminate standard offer service, or default service by Western Mass Electric without charge, as long as that initiation or termination of service coincides with a monthly meter reading. We do not expect any service start up charges by the Generation Company.

7. Consequences of Aggregation

Consumers who decide to participate in the aggregation will benefit from the savings associated with the lower priced generation service (as compared to the standard offer).

The City believes that it will be necessary to procure a long-term contract in order to achieve the best savings off of the standard offer for the residential class. As indicated above we plan is to negotiate optional extension periods for every rate

class so that consumers in the aggregation will know they are entitled to a rate below the standard offer for as long as the standard offer is available to any consumer. The contract we plan to negotiate with the supplier will eliminate any exposure to default service that might otherwise be created by joining the aggregation.

The risk inherent in any contract is that other lower priced options may materialize as the market matures. This opportunity risk will be explained through the public education program.

The basic premise of a long-term contract is that both parties are committed for the term of the contract. The City also plans to solicit pricing for 2 year, 3 year, and 4-year terms for each rate class. The plan is to make final decisions regarding the length of the initial contract and corresponding optional extension periods for each rate class during the negotiation process when the pricing is known.

8. Termination of the Program

The aggregation program will remain in operation until terminated by the Mayor and the City Council. The procedure for termination will be the same as the procedure for initiation. Any such termination shall have no effect on any aggregation supply contract that is outstanding at the time of the termination of the aggregation.

Appendix 1 - Public Education Program

The Public Education has already begun. In July the Mayor met with interested business leaders to discuss the concept and desirability of a municipal aggregation in general. Based on the positive feedback from the business community, this issue was presented to and discussed in the September 7 City Council meeting. The City Council deliberation was carried on the local cable channel and resulted in the decision to authorize the Mayor to develop this plan. The plan itself, which is based on the Haverhill aggregation plan, was then discussed in an open meeting of the Finance Committee of the City Council on September 15. Based on the favorable recommendation of the Finance Committee the City Council voted to approve the plan itself at a City Council meeting on October 5. This second City Council deliberation was also covered on the local cable channel.

The public education plan outlined below is designed to educate consumers regarding this aggregation plan. The City is planning a series of press releases, mailings, press interviews, and public seminars.

Press Releases

The preliminary schedule for these press releases is as follows:

October - Announcing the program

November - Selection of finalists for negotiation

January - Conditional selection of winning company

February - DTE public hearing and approval of plan

Mailings

A series of two citywide mailings is planned. The schedule and content of these mailings is as follows:

Mailing 1 December: This mailing will provide a basic description of deregulation from the consumer's perspective, the purpose of the aggregation, the "opt out" aspect of the plan, and the schedule for the overall project. The City plans to include this letter in the census mailing.

Mailing 2 February: This mailing will announce the implementation of the plan, explain the procedure for "opting out" in more detail, describe pricing comparisons with other supply options available and include other sources of information regarding these issues. This letter will be included as a bill insert in the Western Mass Electric bill that precedes automatic enrollment. This bill insert will also be used to communicate the consumer notice required to be provided by the generation supplier that is outlined in section 6 of the aggregation plan. The generation supplier will be responsible for paying Western Mass Electric for the incremental cost associated with this bill insert.

Seminars

The City is planning a series of three meetings / seminars with interested consumers. The first meeting with interested business leaders has already been conducted in July. The second meeting will be held in November for senior citizens, low-income residents and other interested consumers. The third meeting will be conducted prior to the implementation of the plan and will be open to all consumers in the City.

Public Hearings

This plan has already been discussed before the city Council in two separate meetings and one Finance Committee meeting. All of these meetings were open to the public. The City Council meetings were covered on the cable channel.

We are hopeful that we can persuade the DTE to hold their public hearing in February in Easthampton in the City Council Chamber so that this hearing can be televised as well.

2. Energy Services provider's Corporate Profile

The following specific items are of interest to the HEA Team concerning your company.

2.1 Company Background

Provide a brief overview of your company including technical and marketplace direction. Describe the organization and business strategy of your company. Please include an organizational chart. We are interested in a discussion of the impact of deregulation over the next one to three years on your service offerings and pricing. Also, please enclose any marketing material your firm has that would be related to the requested services in this proposal.

2.2 Financial Information

Provide financial information on your company (e.g., annual report, 10-K).

2.3 Reference Accounts

List three accounts similar in size or complexity to HEA operation and include:

- Company or Community name, address, contact person and telephone number
- Products or services and length of service
- What additional value did you provide?

2.4 ESP Requirements

The ESP shall be responsible for providing firm, full-requirements services to meet the needs of the HEA and to deliver the associated capacity and energy to the delivery point on the local electric distribution company's transmission / distribution system, as well as provide any and all necessary installed and operating reserves required to serve each of the HEA accounts.

The chosen ESP must meet the registration requirements established by law, be a member of ISO New England, and have an Own-Load Dispatch established within the ISO New England billing system. Or the ESP may have an agreement in place with an ISO New England member whereby

the ISO NEW ENGLAND member agrees to include the load to be served by the ESP in its own Own-Load Dispatch.

ESP's providing generation service to HEA from outside ISO NEW ENGLAND will be responsible for any losses incurred on other transmission systems, which may also include facilities linking generation to ISO NEW ENGLAND transmission facilities.

The ESP's must also meet all of the requirements of each of LDC that will distribute the power to the HEA communities.

Appendix 3 - "Opt Out" Letters

Form Letter re "OPT OUT" rights

Dear Easthampton Electric Consumer:

I am pleased to inform you that we have reached an agreement with ABC corp to provide electric generation service to interested electric consumers in the City. The following table compares the rates that we have negotiated in this model contract to the rates charged by Western Mass Electric for "standard offer" generation service.

Year WMECO Standard Offer Rate New City Procured rate

2000

2001

2002

2003

Service at these new rates under this model contract will begin on the first meter reading following _____ and will continue until _____. At the end of this initial contract term you will have the right to renew this contract on the following terms

Additional Charges

We will provide in this section an explanation of start up charges, any special meter reading charges, or termination charges, if any are included in the final contract that is negotiated.

Schedule

Generation service under the City procured contract at the contract price listed above is scheduled to begin on March 1, 2000.

How to enroll

If you would like to participate you do not have to take any action; you will be automatically enrolled on the first meter reading date following_____.

You will continue to receive only one bill from Western Mass Electric each month. Western Mass Electric will be responsible for forwarding to ABC Corp, the portion of your payment that is related to generation service. In the first bill following your automatic enrollment and subsequent bills thereafter, the price per kWh for generation service will be at the negotiated rate listed above.

How to opt out

If you would prefer not to receive generation service at these negotiated rates, you can "opt out" of the City procured plan. To "opt out", simply fill out the "opt out" form, which is available at the Mayor's office and return it to the address indicated on the top of form. If you complete and return this "opt out" form by _____, you will not be "automatically enrolled" and you will continue to receive generation service from your current provider of this service.

You may also "opt out" after you are automatically enrolled. To "opt out" in this fashion simply complete and return the "opt out" form at any time within 180 days following your automatic enrollment.

Consequences of Participation in the Aggregation

The general rule is that consumers who discontinue their standard offer service are not entitled to return to standard offer service. Instead consumers who discontinue their standard offer service have two options for generation service in the future; a) default service at default rates from the distribution utility, or b) generation service purchased from any competitive supplier. However, there is a special rule for consumers who participate in a municipal aggregation and then "opt out" within the 180 window described above. Such consumers can return to the utility provided standard offer service at standard offer rates as long as they were receiving standard offer service at the time they were automatically enrolled in the aggregation. If such consumers were receiving default service prior to their automatic enrollment, and they "opt out" of the aggregation within this 180-day time frame, they return to default service.

If a consumer believes that other lower priced options may become available before this contract has run its course, such consumer may choose to "opt out".

Sincerely

Mayor Michael Tautznik

"OPT OUT" FORM

Please fill out the form, including your Western Mass Electric account number (which is a 12 digit number that appears in the upper left hand side of your most recent Western Mass Electric bill) and mail the completed form to the following address:

Easthampton Aggregation Plan

Office of the Mayor

Easthampton City Hall

43 main ST.

Easthampton, MA 01027.

NAME _____

ADDRESS _____

Western Mass Electric Account Number# _____

I wish to "opt out" of the Easthampton aggregation plan. () Check box

Signature_____

Date_____

